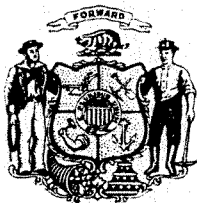


STATE OF WISCONSIN

SENATE CHAIR
BRIAN B. BURKE

ASSEMBLY CHAIR
BEN BRANCEL

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Room 302
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JOINT COMMITTEE ON FINANCE

AGENDA

1:00 p.m., Monday, December 16, 1996

s. 13.10 Meeting

on the First Floor of 119 Martin Luther King, Jr. Blvd.

- I. Department of Transportation -- Jim McDonnell, Budget Director
- II. Office of the State Public Defender -- Nicholas L. Chiarkas, State Public Defender
- III. Department of Justice -- Andrew Cohn, Executive Assistant
- IV. Department of Natural Resources -- George Meyer, Secretary
- V. Department of Natural Resources -- Howard S. Druckenmiller, Division Administrator,
Division of Land
- VI. Department of Health and Family Services -- Tom Alt, Administrator, Division of Care
and Treatment Facilities
- VII. Department of Health and Family Services -- Joe Lekan, Secretary
- VIII. Department of Workforce Development -- Jean Rogers, Division Administrator, Division
of Economic Support
- IX. Department of Workforce Development -- Jean Rogers, Division Administrator, Division
of Economic Support
- X. Department of Revenue -- Cathy S. Zeuske, Secretary, Department of Revenue
- XI. University of Wisconsin System -- Don Melkus, Assistant Chancellor, UW-Milwaukee
- XII. Department of Administration -- Mark Wahl, Administrator, Division of Technology
Management

Reports

- R-1 Authorization for Expenses for Committees Created by Law or Executive Order
- R-2 Department of Administration Position Reports Required under s. 16.50

VIII. Department of Workforce Development -- Jean Rogers, Division Administrator, Division of Economic Support

The department requests the transfer of \$6,405,700 GPR in 1996-97 from the Committee's appropriation under s. 20.865(4)(a) to the appropriation under s. 20.445(3)(a) in the Department of Workforce Development for the operation of the Kids Information Data System (KIDS).

IX. Department of Workforce Development -- Jean Rogers, Division Administrator, Division of Economic Support

The department submitted a November 27 letter of notification to the committee of the state's intent to administer federal block grant funds provided under the recently passed Personal Responsibility and Work Opportunity Reconciliation Act of 1996 for federal fiscal years 1996 and 1997. Subsequent to this notice the co-chairs placed this matter on the agenda of this s. 13.10 meeting.

X. Department of Revenue -- Cathy S. Zeuske, Secretary, Department of Revenue

Pursuant to 1991 Wisconsin Act 60, the Department of Revenue (DOR) requests approval to apply the current temporary recycling surcharge rates for the taxable year that begins on January 1, 1997 and ends December 31, 1997.

XI. University of Wisconsin System -- Don Melkus, Assistant Chancellor, UW-Milwaukee

The University of Wisconsin System, acting under s. 13.101(13)(b), requests the transfer of \$132,300 GPR from appropriation s. 20.865(4)(a), the Joint Committee on Finance supplemental appropriation, to s. 20.285(1)(iz), the UW General Operations Receipts appropriation, from the sale of the Shepard House at UW-Milwaukee (\$264,500). The requested funds will be used by UW-Milwaukee for classroom improvements and instructional equipment.

Reports

R-1 Authorization for Expenses for Committees Created by Law or Executive Order

R-2 Department of Administration Position Reports Required under s. 16.50

JOINT COMMITTEE ON FINANCE APPROPRIATION SUMMARY

[Updated through November 26, 1996]

	1995-96	1996-97	1995-97 Biennium
Biennial Appropriation Amount [s. 20.865(4)(a)]	\$11,821,600	\$34,647,000	\$46,468,600
<u>Reserved For:</u>			
H&SS -- CARES Computer System for Econ. Support Progs.	\$1,587,000	\$1,796,600	\$3,383,600
H&SS -- KIDS Computer System for Child Support Enforcement	5,759,200	7,522,100	13,281,300
H&SS -- AFDC Consolidated Child Care	870,900	885,700	1,756,600
H&SS -- Child Care Administration	60,300	65,800	126,100
H&SS -- AFDC Self-Initiated Child Care	76,400	63,600	140,000
WCC -- Minimum Wage Increases	150,000	0	150,000
WI Institute for School Executives Payments	125,000	125,000	250,000
H&SS -- Community Options Program Data Collection	50,000	0	50,000
H&SS -- Self Suffic. First/Pay for Perf. Waivers (Act 12)	2,337,000	2,986,600	5,323,600
H&SS -- W2 Implementation (Act 289)	0	13,000,000	13,000,000
DOC -- Intergovernmental Corrections (Act 416)	0	2,073,800	2,073,800
DOC -- Intensive Sanctions (Act 416)	0	937,900	937,900
DOC -- Secure Work Program (Act 416)	0	183,800	183,800
Milwaukee County Child Welfare Services (Act 303)	0	4,051,400	4,051,400
Public Land Sales Reserve	453,600	602,500	1,056,100
Sub-total Reserved Balance	\$11,469,400	\$34,294,800	\$45,764,200
<u>Releases from Reserved Balance</u>			
KIDS Computer System for Child Support Enforcement (10/26/95)	\$2,316,400	\$0	\$2,316,400
Self Suffic. First/Pay For Perf. Waivers (12/12/95)	2,274,300	2,986,600	5,260,900
H&SS -- Community Options Program Data Collection (4/16/96)	0	50,000	50,000
H&SS -- Self Suffic. First/Pay for Perf. Waivers (4/16/96)	0	62,700	62,700
WI Institute for School Executives Payments (4/16/96)	250,000	0	250,000
DILHR -- KIDS Computer System (6/27/96)	0	4,303,200	4,303,200
DOC -- Intergovernmental Corrections (9/26/96)	0	2,073,800	2,073,800
DOC -- Intensive Sanctions (9/26/96)	0	937,900	937,900
WCC -- Minimum Wage Increases (9/26/95)	0	150,000	150,000
Total Releases	\$4,840,700	\$10,564,200	\$15,404,900
Remaining Reserved Balance	\$6,628,700	\$23,730,600	\$30,359,300
Net Unreserved Balance Available	\$352,200	\$352,200	\$704,400
<u>Releases from Unreserved Balance</u>			
Judicial Commission-Judicial Council Meeting Expense (12/12/95)	\$10,000	\$10,000	\$20,000
UW System/UW-Extension Pay Plan Funding (12/12/95)	56,900	0	56,900
H&SS -- COP Data Collection (4/16/96)	0	137,300	137,300
HEAB -- Academic Excellence Scholarships (4/16/96)	85,400	0	85,400
DPI -- HEAB Secretary Project Position (6/27/96)	0	78,900	78,900
DHFS -- TPR Prosecution in Milwaukee Co. (6/27/96)	0	430,200	430,200
Courts -- Court Interpreter Reimbursement (7/10/96)	27,000	17,700	44,700
Total Releases	\$179,300	\$674,100	\$853,400
Transfers to Committee's Appropriation			
From DHSS s.20.435(2)(b) (6/27/96)	\$0	\$518,600	\$518,600
From DOC s.20.410(1)(a) (6/27/96)	\$0	\$104,700	\$104,700
Net Unreserved Balance Remaining	\$172,900	\$301,400	\$474,300
TOTAL AVAILABLE			
(Net Reserved & Unreserved Balance Remaining)	\$6,801,600	\$24,032,000	\$30,833,600



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

December 16, 1996

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Transportation--Section 13.10 Request for Federal Appropriation Adjustments--
Agenda Item I

REQUEST

DOT requests increases for 1996-97 in the federal appropriations for major highway development of \$7,600,000 and for state highway rehabilitation of \$5,400,000 to reflect anticipated federal aid greater than budgeted amounts. In addition to those increases, DOT requests that any additional amounts of federal aid be credited to the state highway rehabilitation appropriation.

BACKGROUND

Act 113 budgeted total federal highway aid at \$320 million in 1995-96 and at \$314 million in 1996-97. However, since these were estimated amounts, Section 9155 (2u) of the Act required DOT to submit a request for adjustments to its federal aid appropriations within 30 days of the effective date of the applicable federal legislation for each fiscal year or by December 1, whichever was later, to be approved by the Joint Committee on Finance. The federal transportation appropriations bill for federal fiscal year 1997 became law on September 30, 1996.

The Federal Highway Administration (FHWA) has not yet indicated how much federal aid Wisconsin is expected to receive, but DOT believes the amount will range from \$327 million to \$336 million. That range represents an estimated increase of \$13 million to \$22 million over the 1997 budgeted amount. The Department's proposal responds to this uncertainty by requesting the allocation of an additional \$13 million between the major highway development and state

highway rehabilitation programs, as well as the allocation of any additional amounts to the state highway rehabilitation program.

The budgeted amount is lower than the currently estimated range due to assumptions DOT made in 1995 about the federal budget being balanced in 2002. DOT calculated the percentage reduction in total domestic spending that would be required to achieve a balanced budget in 2002 and divided the reduction proportionally among the intervening years. Further, DOT assumed that federal highway trust fund spending would be subject to the same percentage reductions in those years. That assumption did not materialize in 1995 nor in 1996, as federal transportation spending has remained relatively unchanged.

In its December 2, 1996, memorandum to the Committee's Co-chairs, DOT indicated that FHWA is likely to provide an estimate of Wisconsin's federal aid amount in mid-December. Typically, this estimate would be transmitted sooner after passage of the federal transportation appropriations bill, but uncertainty over the calculation of minimum allocations has delayed the estimates. Also, this uncertainty is the reason for the \$9 million range in Wisconsin's estimated aid level.

On December 2, DOT indicated that the Department of the Treasury recorded some federal gas tax collections in federal fiscal year (FFY) 1995, which should have been recorded in FFY 1994. Initially, the Treasury was uncertain if it had the authority to reverse this error administratively. The Treasury later determined it has the authority to reverse the error and asked the General Accounting Office (GAO) to evaluate the question independently. FHWA indicated that if GAO could issue its opinion by December 6, federal aid estimates could be provided by mid-December. On December 6, GAO concurred with Treasury's opinion, so the misallocated collections are likely to be credited to FFY 1994. This action would probably cause Wisconsin's federal aid to fall at the low end of the \$327 million to \$336 million range.

Last year, DOT reestimated its 1995-96 federal aid at \$331 million, \$11 million above the \$320 million budgeted in Act 113. DOT requested the \$11 million be used to increase the major highway development federal appropriation. The Joint Committee on Finance approved the DOT request.

ANALYSIS

The following table shows, by appropriation, how Act 113 budgeted federal highway aid for 1996-97. The first column lists the appropriation, the second column shows the adjusted base year (1994-95) amount, the third column shows the amount currently budgeted in 1996-97 and the last column shows the percent change from the adjusted base for each appropriation.

TABLE 1
1996-97 Appropriations Funded by Federal Highway Aid

<u>Appropriation</u>	<u>Adjusted Base</u>	<u>1996-97 Act 113</u>	<u>Change to Base</u>	
			<u>Amount</u>	<u>Percent</u>
Local Bridge Improvement	\$24,538,200	\$24,538,200	\$0	0.0%
Local Transportation Facilities	57,538,000	53,538,000	-4,000,000	-7.0
Railroad Crossing Improvement	1,849,300	1,849,300	0	0.0
Surface Transportation Grants	4,000,000	2,720,000	-1,280,000	-32.0
Congestion Mitigation and Air Quality Improvement	8,829,500	6,009,500	-2,820,000	-31.9
Major Highway Development	61,738,400	33,335,100	-28,403,300	-46.0
STH Rehabilitation	183,580,100	183,088,600	-491,500	-0.3
STH Maintenance	652,800	0	-652,800	-100.0
STH Administration and Planning	2,282,700	3,175,500	892,800	39.1
Departmental Management	<u>5,985,800</u>	<u>5,745,800</u>	<u>-240,000</u>	<u>-4.0</u>
TOTAL	\$350,994,800	\$314,000,000	-\$36,994,800	-10.5%

The individual percent changes reflect the following: (a) a transportation enhancement program decrease of \$1,400,000 and a local highway aid program decrease of \$2,600,000, both from the local transportation facilities appropriation; (b) a surface transportation discretionary grant decrease of \$1,280,000 from the surface transportation grants appropriation; (c) general program decreases in the congestion mitigation and air quality improvement (CMAQ), major highway development and STH rehabilitation programs; (d) a deletion of federal CMAQ funds for the Milwaukee County freeway traffic management system in the maintenance appropriation; (e) a federal requirement to increase consultant research in the STH administration and planning appropriation; and (f) a deletion of federal CMAQ funds in the departmental management appropriation.

Table 2 compares total funding for each of the federally aided programs that are also funded from other sources. The first column shows each program by funding source, the second column shows the adjusted base year amount, the third column shows the amount budgeted in Act 113, as subsequently adjusted by the Joint Committee on Finance, and the final column shows the percent change from the adjusted base for each funding source. Programs that are not included in Table 2 are funded exclusively with federal funds and the changes in these programs are shown in Table 1.

TABLE 2
1996-97 Program Funding Levels

	<u>Adjusted Base</u>	<u>1996-97</u>	<u>Percent Change</u>
Major Highway Development Program			
SEG	\$6,837,300	\$10,485,000	53.4%
SEG-S (Bonding)	93,081,700	110,535,300	18.8
FED	<u>61,738,400</u>	<u>33,335,100</u>	<u>-46.0</u>
Total	\$161,657,400	\$154,355,400	- 4.5%
STH Rehabilitation Program			
SEG	\$208,103,700	\$217,412,600	4.5%
FED	<u>183,580,100</u>	<u>183,088,600</u>	<u>-0.3</u>
Total	\$391,683,800	\$400,501,200	2.3%
STH Administration and Planning			
SEG	\$16,367,200	\$16,961,500	3.6%
FED	<u>\$2,282,700</u>	<u>\$3,175,500</u>	<u>39.1</u>
Total	\$18,649,900	\$20,137,000	8.0%
Local Bridge Program			
SEG	\$7,706,000	\$7,331,100	-4.9%
FED	<u>24,538,200</u>	<u>24,538,200</u>	<u>0.0</u>
Total	\$32,244,200	\$31,869,300	-1.2%
Railroad Crossing Improvement Program			
SEG	\$450,000	\$450,000	0.0%
FED	<u>1,849,300</u>	<u>1,849,300</u>	<u>0.0</u>
Total	\$2,299,300	\$2,299,300	0.0%

Table 3 shows only the major highway development and state trunk highway rehabilitation programs. The table compares the adjusted base to the current funding level and to DOT's request to appropriate an additional \$13 million in federal funds. The top segment shows the total major highway development program, while the middle segment excludes the increase provided for the STH 29 acceleration. The bottom segment shows the state trunk highway rehabilitation program. The first column shows the funding source, the second column shows the adjusted base level, the third column shows the amounts appropriated in Act 113, as subsequently adjusted by the Joint Committee on Finance, the fourth column shows the percentage change to the base, the fifth column shows the amounts under DOT's request and the final column shows the percentage change from the base under DOT's request.

TABLE 3**1996-97 Program Funding Levels Including DOT Request****Major Highway Development Program**

	<u>Adjusted Base</u>	<u>Act 113 As Adjusted</u>	<u>% Change from Base</u>	<u>DOT Request</u>	<u>% Change from Base</u>
SEG	\$6,837,300	\$10,485,000	53.4%	\$10,485,000	53.4%
SEG-S	93,081,700	110,535,300	18.8	110,535,300	18.8
FED	<u>61,738,400</u>	<u>33,335,100</u>	<u>-46.0</u>	<u>40,935,100</u>	<u>-33.7</u>
TOTAL	\$161,657,400	\$154,355,400	-4.5%	\$161,955,400	0.2%

Major Highway Development Program Excluding STH 29 Acceleration

SEG	\$6,837,300	\$10,485,000	53.4%	\$10,485,000	53.4%
SEG-S	93,081,700	93,081,700	0.0	93,081,700	0.0
FED	<u>61,738,400</u>	<u>33,335,100</u>	<u>-46.0</u>	<u>40,935,100</u>	<u>-33.7</u>
TOTAL	\$161,657,400	\$136,901,800	-15.3%	\$144,501,800	-10.6%

State Trunk Highway Rehabilitation Program

SEG	\$208,103,700	\$217,412,600	4.5%	\$217,412,600	4.5%
FED	<u>183,580,100</u>	<u>183,088,600</u>	<u>-0.3</u>	<u>188,488,600</u>	<u>2.7</u>
TOTAL	\$391,683,800	\$400,501,200	2.3%	\$405,901,200	3.6%

The Legislature's version of the budget provided a level of funding that was higher than the funding level shown in Table 3. In the Legislature's version, the percentage change to the base was -2.9% for the base major highway development program (excluding the STH 29 acceleration). However, the Governor vetoed \$20 million annually in bonding revenue that would have been used in the base program. Therefore, as appropriated in Act 113, the total percentage change from all sources for the base program is -15.3%. If DOT's request is approved, the total percentage change from all sources for the base program would be -10.6%.

As illustrated in Table 2, the reduction in the major highway development program's total funding is also greater than the reductions to other programs funded with multiple funding sources. Table 2 shows that the major highway development program total change from the base is -4.5%, compared to 2.3% for the STH rehabilitation program, 8.0% for administration and planning, -1.2% for the local bridge program and 0.0% for the railroad crossing improvement program.

Act 113 reduced transportation enhancements, surface transportation and congestion mitigation and air quality improvement program (CMAQ) grants by 31.8%, 32.0% and 31.9%, respectively. These three programs are funded exclusively with federal funds. The reductions in these three programs reflect a decision by the Legislature to reduce federal funding in some programs in order to use more FED in the STH rehabilitation program, allowing a SEG decrease.

DOT would direct the requested funds for the major highway development program toward accelerating work on a 5.1 mile section of U.S. Highway 10, from CTH A, just east of Waupaca, to CTH X at Weyauwega. This segment is scheduled to be upgraded from two-lane rural highway to four-lane expressway standards. Approval of the request would allow DOT to award the contract for work on this section in February, 1997, instead of July, 1997, moving the anticipated completion date from August, 1998, to November, 1997. Shifting this project into 1996-97 would free 1997-98 funds to be used on a subsequent section of USH 10 between CTH X and CTH U, east of Weyauwega, including the construction of a grade separation interchange at CTH X. The contract for this segment would be awarded in July, 1997, instead of July, 1998, moving the completion date up one full year, from Fall, 1999, to Fall, 1998.

DOT has indicated that the USH 10 project was the only one which met the following criteria: (a) no additional design work or right-of-way acquisition is necessary to begin construction; and (b) accelerating the project would allow a section of highway to be opened to traffic at an earlier date. Some other projects are ready for construction, but complementary projects that are needed to open these highways to traffic are not ready for construction and therefore the completion date can not be accelerated.

DOT requests that the additional federal highway aid that is not put into the major highway development program be put into the federal appropriation for state trunk highway rehabilitation. The Department has not indicated which rehabilitation projects would be accelerated in the event that this request is approved. The Department typically maintains a pool of rehabilitation projects that are ready or nearly ready for construction in the event that the state receives more federal aid than was estimated in the budget or other projects are delayed. Consequently, DOT has several potential projects which could be accelerated, but which ones are actually moved up depends upon the final amount of aid available, and, in some cases, the ability of the Department to make the final arrangements necessary before work can begin.

DOT has indicated that it would be difficult for the local aid programs to absorb additional funds in fiscal year 1996-97, with the exception of the transportation enhancements program. Typically, grants to local governments are approved by a review committee and recipients are notified of approval in July of the fiscal year in which funding is awarded. Although additional projects could be approved, DOT has indicated that there may be insufficient time for local governments to get project agreement approval and to let and award contracts by the end of this fiscal year.

In the case of the transportation enhancements program, DOT has actually approved projects requiring \$21.0 million, which exceeds the \$15.3 million in total appropriations

authorized by the Legislature. This was done in anticipation that the program would be funded in 1995-96 and 1996-97 at the \$4.65 million level provided in 1994-95 (\$4.4 million for transportation enhancements plus \$0.25 million for bicycle and pedestrian facilities). In addition, DOT anticipated that some projects would not be completed due to difficulties at the local level in raising matching funds or financing the project in advance of receiving federal reimbursement. An increase of \$2.8 million for this program would restore the biennial reduction made to this program under Act 113.

As part of its September 15 budget request for 1997-99, DOT estimated a 1996-97 transportation fund deficit of \$11.3 million, which was recently reestimated. On December 4, 1996, the Co-chairs of the Joint Committee on Finance asked DOT to provide the Committee with its recommendations regarding how to deal with the deficit. On December 10, DOT reported that it had reestimated the projected deficit at \$3.9 million and preferred to wait until later in the year to take action to correct the shortfall. DOT reasoned that because the shortfall equaled only 0.4% of revenues, revenue increases could negate the need to take any corrective action. Furthermore, if revenue decreases, the necessary corrective action would be greater than indicated by the current estimate.

If a deficit does materialize, DOT recommends that the state SEG appropriation for the highway rehabilitation program be reduced by the shortfall. This could be accomplished by delaying some projects scheduled for this June (FY 97) by one month until July (FY 98). Action by the Joint Committee on Finance under s. 13.10 of the statutes would be required. DOT proposes to wait until a later date to take such action.

An increase to the FED appropriation for STH rehabilitation under this request would allow future decreases in the SEG appropriation without lowering the total program size below that anticipated under Act 113. For example, the \$5.4 million increase proposed by DOT would more than offset the \$3.9 million decrease in the SEG appropriation that may be required if the current deficit figure remains unchanged. A larger increase in the STH rehabilitation FED appropriation would provide a greater degree of protection against future SEG reductions. However, this would require a decision not to accelerate the USH 10 major highway development project.

ALTERNATIVES

1. Approve the Department's request to provide an additional \$7.6 million for the major highway development FED appropriation, \$5.4 million for the state trunk highway rehabilitation FED appropriation, and any amounts exceeding \$13.0 million to the state trunk highway FED appropriation. X

2. Approve the Department's request to provide an additional \$7.6 million for the major highway development FED appropriation and \$5.4 million for the state trunk highway rehabilitation program. Require the Department to submit a second request for allocating any amounts exceeding \$13.0 million.

3. Delete the proposed increase of \$7.6 million for the major highway development FED appropriation and provide an increase of \$13.0 million for the state trunk highway rehabilitation FED appropriation. Require the Department to submit a second request for allocating any amounts exceeding \$13.0 million.

4. Decrease the increase for the state trunk highway rehabilitation FED appropriation under Alternatives 1, 2 or 3 by \$2.8 million and instead increase the local transportation facilities improvement FED appropriation by \$2.8 million to restore the biennial reduction made to the transportation enhancements program under Act 113.

Prepared by: Rick Olin and Jon WeaverDyck

MO# 5005 w/ Amend from Sen. Weinke

2	BURKE	(Y)	N	A
	ANDREA	(Y)	N	(A)
	GEORGE	(Y)	N	(A)
	DECKER	(Y)	N	A
	JAUCH	(Y)	N	A
	WINEKE	(Y)	N	A
	WEEDEN	(Y)	N	A
	COWLES	(Y)	N	A
1	BRANCEL	(Y)	N	A
	FOTI	(Y)	N	A
	SCHNEIDERS	(Y)	N	A
	OURADA	(Y)	N	A
	HARSDORF	(Y)	N	A
	PORTER	(Y)	N	A
	LINTON	(Y)	N	(A)
	COGGS	(Y)	N	A

AYE 13 NO 0 ABS 3

WISCONSIN LABORERS' DISTRICT COUNCIL

AFFILIATED WITH A.F.L.-C.I.O.
LABORERS' INTERNATIONAL UNION OF NORTH AMERICA
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VICE-PRESIDENT

THOMAS E. FISHER
SEC. TREAS.
REC. SECY

December 13, 1996

Senator Brian Burke
State Capitol
Madison, WI 53708


Dear Senator Burke:

I am writing to register our support of the Wisconsin DOT's request to increase appropriations for 1996-97 major highway development of \$7.6 million and state highway rehabilitation of \$5.4 million. We also support the department's request to credit any additional amounts of federal aid to the state highway rehabilitation appropriation.

As you know, FY 1997 funding for major projects is, in real terms, nearly 20% below FY 1995 base levels. Similarly, FY 1997 STH Rehabilitation is 3% below base levels -- a figure deceptively small since it includes funding for Milwaukee Freeway. As expected, under funding of both of these programs is resulting in a growing gap between the time projects are enumerated and the time they are completed, as well as increasing the frequency of delayed projects.

Clearly, the department's request to increase funding at this time is consistent with the intent of the legislature when, because of insufficient funding levels, it reduced appropriations in both the majors and rehabilitation programs, and then directed the department to issue an allocation request in the event additional federal funding became available.

It is important that the Joint Finance Committee recognize that the unanticipated federal funding is an opportunity to help reverse this under funding trend. It is equally important that the committee not hold family supporting jobs or the public's safety hostage, by speculating beyond the department's request, over insignificant deficit numbers or how better to spend additional federal funds.

Thank you for this opportunity to comment on this important issue to construction craft laborers.

Sincerely,



Michael R. Ryan
President/Business Manager

MRR/jo

Representative Brancel

DEPARTMENT OF TRANSPORTATION

Request for Federal Appropriation Adjustments

Motion:

Move to approve the Department's request to provide an additional \$7.6 million for the major highway development FED appropriation. Specify that the \$7.6 million would be included in the Department's adjusted base for 1996-97. Require the Department to submit a second request for allocating any amounts exceeding \$7.6 million.



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

December 16, 1996

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Transportation--Section 13.10 Request for Federal Appropriation Adjustments--
Agenda Item I

REQUEST

DOT requests increases for 1996-97 in the federal development of \$7,600,000 and for state highway related anticipated federal aid greater than budgeted amounts. DOT requests that any additional amounts of federal aid be credited to the state appropriation.

BACKGROUND

Act 113 budgeted total federal highway aid at \$320 million in 1996-97. However, since these were estimated amounts DOT to submit a request for adjustments to its federal aid effective date of the applicable federal legislation for each fiscal year or by December 1, whichever was later, to be approved by the Joint Committee on Finance. The federal transportation appropriations bill for federal fiscal year 1997 became law on September 30, 1996.

The Federal Highway Administration (FHWA) has not yet indicated how much federal aid Wisconsin is expected to receive, but DOT believes the amount will range from \$327 million to \$336 million. That range represents an estimated increase of \$13 million to \$22 million over the 1997 budgeted amount. The Department's proposal responds to this uncertainty by requesting the allocation of an additional \$13 million between the major highway development and state

ASK FISCAL BUREAU
IF EXACT FED \$
AMOUNTS ARE KNOWN
YET. (See Rule memo)

highway rehabilitation programs, as well as the allocation of any additional amounts to the state highway rehabilitation program.

The budgeted amount is lower than the currently estimated range due to assumptions DOT made in 1995 about the federal budget being balanced in 2002. DOT calculated the percentage reduction in total domestic spending that would be required to achieve a balanced budget in 2002 and divided the reduction proportionally among the intervening years. Further, DOT assumed that federal highway trust fund spending would be subject to the same percentage reductions in those years. That assumption did not materialize in 1995 nor in 1996, as federal transportation spending has remained relatively unchanged.

In its December 2, 1996, memorandum to the Committee's Co-chairs, DOT indicated that FHWA is likely to provide an estimate of Wisconsin's federal aid amount in mid-December. Typically, this estimate would be transmitted sooner after passage of the federal transportation appropriations bill, but uncertainty over the calculation of minimum allocations has delayed the estimates. Also, this uncertainty is the reason for the \$9 million range in Wisconsin's estimated aid level.

On December 2, DOT indicated that the Department of the Treasury recorded some federal gas tax collections in federal fiscal year (FFY) 1995, which should have been recorded in FFY 1994. Initially, the Treasury was uncertain if it had the authority to reverse this error administratively. The Treasury later determined it has the authority to reverse the error and asked the General Accounting Office (GAO) to evaluate the question independently. FHWA indicated that if GAO could issue its opinion by December 6, federal aid estimates could be provided by mid-December. On December 6, GAO concurred with Treasury's opinion, so the misallocated collections are likely to be credited to FFY 1994. This action would probably cause Wisconsin's federal aid to fall at the low end of the \$327 million to \$336 million range.

Last year, DOT reestimated its 1995-96 federal aid at \$331 million, \$11 million above the \$320 million budgeted in Act 113. DOT requested the \$11 million be used to increase the major highway development federal appropriation. The Joint Committee on Finance approved the DOT request.

ANALYSIS

The following table shows, by appropriation, how Act 113 budgeted federal highway aid for 1996-97. The first column lists the appropriation, the second column shows the adjusted base year (1994-95) amount, the third column shows the amount currently budgeted in 1996-97 and the last column shows the percent change from the adjusted base for each appropriation.

TABLE 1
1996-97 Appropriations Funded by Federal Highway Aid

<u>Appropriation</u>	<u>Adjusted Base</u>	<u>1996-97 Act 113</u>	<u>Change to Base</u>	
			<u>Amount</u>	<u>Percent</u>
Local Bridge Improvement	\$24,538,200	\$24,538,200	\$0	0.0%
Local Transportation Facilities	57,538,000	53,538,000	-4,000,000	-7.0
Railroad Crossing Improvement	1,849,300	1,849,300	0	0.0
Surface Transportation Grants	4,000,000	2,720,000	-1,280,000	-32.0
Congestion Mitigation and Air Quality Improvement	8,829,500	6,009,500	-2,820,000	-31.9
Major Highway Development	61,738,400	33,335,100	-28,403,300	-46.0
STH Rehabilitation	183,580,100	183,088,600	-491,500	-0.3
STH Maintenance	652,800	0	-652,800	-100.0
STH Administration and Planning	2,282,700	3,175,500	892,800	39.1
Departmental Management	<u>5,985,800</u>	<u>5,745,800</u>	<u>-240,000</u>	<u>-4.0</u>
TOTAL	\$350,994,800	\$314,000,000	-\$36,994,800	-10.5%

The individual percent changes reflect the following: (a) a transportation enhancement program decrease of \$1,400,000 and a local highway aid program decrease of \$2,600,000, both from the local transportation facilities appropriation; (b) a surface transportation discretionary grant decrease of \$1,280,000 from the surface transportation grants appropriation; (c) general program decreases in the congestion mitigation and air quality improvement (CMAQ), major highway development and STH rehabilitation programs; (d) a deletion of federal CMAQ funds for the Milwaukee County freeway traffic management system in the maintenance appropriation; (e) a federal requirement to increase consultant research in the STH administration and planning appropriation; and (f) a deletion of federal CMAQ funds in the departmental management appropriation.

Table 2 compares total funding for each of the federally aided programs that are also funded from other sources. The first column shows each program by funding source, the second column shows the adjusted base year amount, the third column shows the amount budgeted in Act 113, as subsequently adjusted by the Joint Committee on Finance, and the final column shows the percent change from the adjusted base for each funding source. Programs that are not included in Table 2 are funded exclusively with federal funds and the changes in these programs are shown in Table 1.

TABLE 2
1996-97 Program Funding Levels

	<u>Adjusted Base</u>	<u>1996-97</u>	<u>Percent Change</u>
Major Highway Development Program			
SEG	\$6,837,300	\$10,485,000	53.4%
SEG-S (Bonding)	93,081,700	110,535,300	18.8
FED	<u>61,738,400</u>	<u>33,335,100</u>	<u>-46.0</u>
Total	\$161,657,400	\$154,355,400	- 4.5%
STH Rehabilitation Program			
SEG	\$208,103,700	\$217,412,600	4.5%
FED	<u>183,580,100</u>	<u>183,088,600</u>	<u>-0.3</u>
Total	\$391,683,800	\$400,501,200	2.3%
STH Administration and Planning			
SEG	\$16,367,200	\$16,961,500	3.6%
FED	<u>\$2,282,700</u>	<u>\$3,175,500</u>	<u>39.1</u>
Total	\$18,649,900	\$20,137,000	8.0%
Local Bridge Program			
SEG	\$7,706,000	\$7,331,100	-4.9%
FED	<u>24,538,200</u>	<u>24,538,200</u>	<u>0.0</u>
Total	\$32,244,200	\$31,869,300	-1.2%
Railroad Crossing Improvement Program			
SEG	\$450,000	\$450,000	0.0%
FED	<u>1,849,300</u>	<u>1,849,300</u>	<u>0.0</u>
Total	\$2,299,300	\$2,299,300	0.0%

Table 3 shows only the major highway development and state trunk highway rehabilitation programs. The table compares the adjusted base to the current funding level and to DOT's request to appropriate an additional \$13 million in federal funds. The top segment shows the total major highway development program, while the middle segment excludes the increase provided for the STH 29 acceleration. The bottom segment shows the state trunk highway rehabilitation program. The first column shows the funding source, the second column shows the adjusted base level, the third column shows the amounts appropriated in Act 113, as subsequently adjusted by the Joint Committee on Finance, the fourth column shows the percentage change to the base, the fifth column shows the amounts under DOT's request and the final column shows the percentage change from the base under DOT's request.

TABLE 3**1996-97 Program Funding Levels Including DOT Request****Major Highway Development Program**

	<u>Adjusted Base</u>	<u>Act 113 As Adjusted</u>	<u>% Change from Base</u>	<u>DOT Request</u>	<u>% Change from Base</u>
SEG	\$6,837,300	\$10,485,000	53.4%	\$10,485,000	53.4%
SEG-S	93,081,700	110,535,300	18.8	110,535,300	18.8
FED	<u>61,738,400</u>	<u>33,335,100</u>	<u>-46.0</u>	<u>40,935,100</u>	<u>-33.7</u>
TOTAL	\$161,657,400	\$154,355,400	-4.5%	\$161,955,400	0.2%

Major Highway Development Program Excluding STH 29 Acceleration

SEG	\$6,837,300	\$10,485,000	53.4%	\$10,485,000	53.4%
SEG-S	93,081,700	93,081,700	0.0	93,081,700	0.0
FED	<u>61,738,400</u>	<u>33,335,100</u>	<u>-46.0</u>	<u>40,935,100</u>	<u>-33.7</u>
TOTAL	\$161,657,400	\$136,901,800	-15.3%	\$144,501,800	-10.6%

State Trunk Highway Rehabilitation Program

SEG	\$208,103,700	\$217,412,600	4.5%	\$217,412,600	4.5%
FED	<u>183,580,100</u>	<u>183,088,600</u>	<u>-0.3</u>	<u>188,488,600</u>	<u>2.7</u>
TOTAL	\$391,683,800	\$400,501,200	2.3%	\$405,901,200	3.6%

The Legislature's version of the budget provided a level of funding that was higher than the funding level shown in Table 3. In the Legislature's version, the percentage change to the base was -2.9% for the base major highway development program (excluding the STH 29 acceleration). However, the Governor vetoed \$20 million annually in bonding revenue that would have been used in the base program. Therefore, as appropriated in Act 113, the total percentage change from all sources for the base program is -15.3%. If DOT's request is approved, the total percentage change from all sources for the base program would be -10.6%.

As illustrated in Table 2, the reduction in the major highway development program's total funding is also greater than the reductions to other programs funded with multiple funding sources. Table 2 shows that the major highway development program total change from the base is -4.5%, compared to 2.3% for the STH rehabilitation program, 8.0% for administration and planning, -1.2% for the local bridge program and 0.0% for the railroad crossing improvement program.

Act 113 reduced transportation enhancements, surface transportation and congestion mitigation and air quality improvement program (CMAQ) grants by 31.8%, 32.0% and 31.9%, respectively. These three programs are funded exclusively with federal funds. The reductions in these three programs reflect a decision by the Legislature to reduce federal funding in some programs in order to use more FED in the STH rehabilitation program, allowing a SEG decrease.

DOT would direct the requested funds for the major highway development program toward accelerating work on a 5.1 mile section of U.S. Highway 10, from CTH A, just east of Waupaca, to CTH X at Weyauwega. This segment is scheduled to be upgraded from two-lane rural highway to four-lane expressway standards. Approval of the request would allow DOT to award the contract for work on this section in February, 1997, instead of July, 1997, moving the anticipated completion date from August, 1998, to November, 1997. Shifting this project into 1996-97 would free 1997-98 funds to be used on a subsequent section of USH 10 between CTH X and CTH U, east of Weyauwega, including the construction of a grade separation interchange at CTH X. The contract for this segment would be awarded in July, 1997, instead of July, 1998, moving the completion date up one full year, from Fall, 1999, to Fall, 1998.

DOT has indicated that the USH 10 project was the only one which met the following criteria: (a) no additional design work or right-of-way acquisition is necessary to begin construction; and (b) accelerating the project would allow a section of highway to be opened to traffic at an earlier date. Some other projects are ready for construction, but complementary projects that are needed to open these highways to traffic are not ready for construction and therefore the completion date can not be accelerated.

DOT requests that the additional federal highway aid that is not put into the major highway development program be put into the federal appropriation for state trunk highway rehabilitation. The Department has not indicated which rehabilitation projects would be accelerated in the event that this request is approved. The Department typically maintains a pool of rehabilitation projects that are ready or nearly ready for construction in the event that the state receives more federal aid than was estimated in the budget or other projects are delayed. Consequently, DOT has several potential projects which could be accelerated, but which ones are actually moved up depends upon the final amount of aid available, and, in some cases, the ability of the Department to make the final arrangements necessary before work can begin.

DOT has indicated that it would be difficult for the local aid programs to absorb additional funds in fiscal year 1996-97, with the exception of the transportation enhancements program. Typically, grants to local governments are approved by a review committee and recipients are notified of approval in July of the fiscal year in which funding is awarded. Although additional projects could be approved, DOT has indicated that there may be insufficient time for local governments to get project agreement approval and to let and award contracts by the end of this fiscal year.

In the case of the transportation enhancements program, DOT has actually approved projects requiring \$21.0 million, which exceeds the \$15.3 million in total appropriations

authorized by the Legislature. This was done in anticipation that the program would be funded in 1995-96 and 1996-97 at the \$4.65 million level provided in 1994-95 (\$4.4 million for transportation enhancements plus \$0.25 million for bicycle and pedestrian facilities). In addition, DOT anticipated that some projects would not be completed due to difficulties at the local level in raising matching funds or financing the project in advance of receiving federal reimbursement. An increase of \$2.8 million for this program would restore the biennial reduction made to this program under Act 113.

As part of its September 15 budget request for 1997-99, DOT estimated a 1996-97 transportation fund deficit of \$11.3 million, which was recently reestimated. On December 4, 1996, the Co-chairs of the Joint Committee on Finance asked DOT to provide the Committee with its recommendations regarding how to deal with the deficit. On December 10, DOT reported that it had reestimated the projected deficit at \$3.9 million and preferred to wait until later in the year to take action to correct the shortfall. DOT reasoned that because the shortfall equaled only 0.4% of revenues, revenue increases could negate the need to take any corrective action. Furthermore, if revenue decreases, the necessary corrective action would be greater than indicated by the current estimate.

If a deficit does materialize, DOT recommends that the highway rehabilitation program be reduced by delaying some projects scheduled for this year. The Joint Committee on Finance under Act 113 proposes to wait until a later date to take such action.

An increase to the FED appropriation for highway development would allow DOT to offset future decreases in the SEG appropriation anticipated under Act 113. For example, the DOT could offset the \$3.9 million decrease in the SEG deficit figure remains unchanged. A larger increase would provide a greater degree of protection against future decreases and require a decision not to accelerate the USF

Staff Recommendation:

#1 and a new motion that any FED \$ above \$13 mil, 1st \$2 mil to enhancements and any additional \$ to rehabilitation

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ALTERNATIVES

+ motion (1.) Approve the Department's request to provide an additional \$7.6 million for the major highway development FED appropriation, \$5.4 million for the state trunk highway rehabilitation FED appropriation, and any amounts exceeding \$13.0 million to the state trunk highway FED appropriation.

2. Approve the Department's request to provide an additional \$7.6 million for the major highway development FED appropriation and \$5.4 million for the state trunk highway rehabilitation program. Require the Department to submit a second request for allocating any amounts exceeding \$13.0 million.

— draft motion —

3. Delete the proposed increase of \$7.6 million for the major highway development FED appropriation and provide an increase of \$13.0 million for the state trunk highway rehabilitation FED appropriation. Require the Department to submit a second request for allocating any amounts exceeding \$13.0 million.

4. Decrease the increase for the state trunk highway rehabilitation FED appropriation under Alternatives 1, 2 or 3 by \$2.8 million and instead increase the local transportation facilities improvement FED appropriation by \$2.8 million to restore the biennial reduction made to the transportation enhancements program under Act 113.

Prepared by: Rick Olin and Jon WeaverDyck